

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, September 26, 2012
11:00 a.m.

915 Capitol Mall, Room 110
Sacramento, California 95814

Deputy State Treasurer Tricia Wynne, serving as Chair, called the meeting to order.

Roll Call

Members Present: Patricia Wynne, designee for Bill Lockyer, State Treasurer
Nick Schweizer, designee for Ana Matosantos, Director of Finance
Kathleen Moore, designee for Tom Torlakson, Superintendent of Public Instruction

Staff Present: Katrina Johantgen, Executive Director
Terri Kizer, Program Analyst
Steven Theuring, Program Analyst
Mark Paxson, STO General Counsel and Counsel to CSFA

The Chair declared a quorum present.

Approval of Minutes

The minutes for the June 20, 2012 Authority board meeting were approved as submitted.

Executive Director's Report

Conduit Financing Program: Ms. Katrina Johantgen provided an update of the Conduit Financing Program. An item is included in this agenda related to the fees associated with conduit bond financings. A number of conduit financings are anticipated for consideration by the Authority board this Fall.

Mr. Theuring provided a breakdown of the amounts issued and paid under the Working Capital Conduit Financing and the Qualified School Construction Bond (QSCBs) Programs. The Aspire 2012A and 2012B Revenue Anticipation Notes (RANs) and the Working Capital 2012A Conduit Financing Program have been paid in full. Mr. Theuring advised that the QSCB deal for Livermore is scheduled to close next week.

Credit Enhancement Grant: Ms. Johantgen advised the members that several applications have been received and are being evaluated to ensure the proposed financing structures are eligible and feasible under the Program.

Charter School Facilities Program (CSFP): Ms. Johantgen updated the members on the status of the State Charter School Facilities Program. The State Allocation Board has approved to extend a deadline allowing more schools time to apply for apportionments under the approximately \$57.9 million still remaining of the \$94.2 in bond sale proceeds allocated

for advance fund releases. Several schools are anticipated to be requesting current financial soundness evaluations by January 2013.

State Charter School Facilities Incentives Grant: Ms. Johantgen informed the members that additional funds have become available for award under the first grant awarded by the U.S. Department of Education. The regulations are currently written that any available funds are to be allocated to alternates from the fifth and final funding round. The list of eligible alternates has been exhausted and options are being developed for award of the additional funds. Staff will be presenting a rulemaking file to the members at a future meeting to cure this issue.

Legislation: Ms. Johantgen provided an update of recent changes to the CSFA Act via the budget trailer bill. These changes, which were effective when the trailer bill passed, included the authority to refinance existing debt; expansion of the definition of a special purpose entity to include Limited Liability Corporations (LLCs); and expansion of the revenue category definition to include categorical block grants. Ms. Johantgen informed the members that SB 1028 is awaiting the Governor's signature. This bill would expand the revenues that can be intercepted to make debt service payments.

Resolution 12-32 – Approving the Conduit Bond Financing Fee Schedule

Ms. Johantgen advised that the Authority members had adopted a formal fee schedule for conduit bond issuances in 2010. At that time, the fee schedule was determined to be competitive with those offered by non-governmental conduit issuers. Based on a recent review of non-governmental conduit issuers, staff is recommending that its annual administrative fee for bond financings of 0.02% on the par amount of the bonds issued be reduced slightly to 0.015% on the outstanding amount, which is consistent with non-governmental conduit issuers. Ms. Johantgen provided a chart to the members regarding the proposed fee schedule for the Conduit Bond Financing. This revision to the fee schedule will provide adequate funding to support staff's annual maintenance and administration of our bond financings.

Ms. Johantgen recommended the members adopt the new fee schedule and that the new fees become effective immediately.

It was moved, seconded, and passed unanimously to adopt Resolution No. 12-32, approving the conduit bond financing fee schedule.

Resolution 12-33 – Authorizing the Issuance of Bonds in an Amount Not to Exceed \$21,000,000* to Finance the Acquisition and Renovation of Educational Facilities Located in Los Angeles, California:

Ms. Johantgen advised that University Park and Watts, LLC, is requesting the issuance and sale of revenue bonds for the acquisition, construction, and renovation of two educational facilities and to refinance existing debt for New Designs Charter School. University Park and Watts, LLC, will own the educational facilities and then lease the facilities to the charter school. The bond proceeds will be used for two campus locations currently occupied by New Designs Charter School at 2303 S. Figueroa Way, Los Angeles (University Park Campus) and 3906-3912 West Slauson Avenue, Los Angeles (Slauson Campus). LAUSD is the charter authorizer and the district in which the project is located.

Ms. Johantgen informed the members that this particular financing structure with the inclusion of an LLC holding title to the financed facility is a first for the Authority. Ms. Johantgen introduced Thomas Peltz, Kutak Rock LLP, serving as bond counsel; John Buck, Buck Financial Advisors, LLC, serving as financial advisor; and Jim Blandford, Robert W. Baird & Co., Inc., serving as underwriter, who spoke in support of the bond transaction and who were directly involved in the bond's structure.

Mr. Schweizer discussed the rating report that was provided to the members. The rating report assigned a BBB- rating to this financing.

Ms. Moore asked a question regarding new construction permit authorization. Mr. Blandford advised that New Designs would seek and obtain local permits and authorization through the City of Los Angeles.

Mr. Buck addressed the members regarding proceeds and timing.

Mr. Blandford spoke briefly regarding his firms planning and marketing strategy for this transaction. The projected sale is targeted to open during the week of October 8, with a seven week closing period.

Ms. Johantgen highlighted this transaction is not to exceed \$21,000,000 and achieved a BBB- rating – a relatively good rating for a charter school financing. She further stated that due to the particular bond financing structure, New Designs is not utilizing the intercept mechanism or the enhancement grant for financing. Ms. Johantgen recommended the members adopt this resolution.

It was moved, seconded, and passed to approve Resolution No. 12-33, authorizing the issuance of bonds in an amount not to exceed \$21,000,000 to finance the acquisition and renovation of educational facilities for New Designs Charter School.

Resolution No. 12-34 – Authorizing the Issuance from Time To Time of Notes in an Aggregate Amount Not to Exceed \$10,402,000* to Finance Working Capital Loans to Certain Charter Schools in Maximum Loan Amounts* Indicated on Exhibit A of This Agenda, and Approving the Form of a Note Purchase Agreement, Loan Agreements and an Indenture Therefor, and Authorizing Certain Other Actions in Connection Therewith

This item was held over until a future meeting.

There being no additional public comments or other business to conduct, the meeting was adjourned.

Respectfully submitted,

Katrina Johantgen
Executive Director